CEREBRA
Total I.T. Solutions
An ISO 9001 : 2000 Company

CEREBRA INTEGRATED TECHNOLOGIES LIMITED

For CEREBRA INTEGRATED TECHNOLOGIES LTD.

DIRECTOR

13th

ANNUAL REPORT

2006 – 2007

CEREBRA INTEGRATED TECHNOLOGIES LTD.

BOARD OF DIRECTORS

V. Ranganathan - *Managing Director*
Gururaj K. Upadhya - *Director Technical*
Shridhar S. Hegde - *Director*
P. Vishwamurthy - *Director*
T. S. Suresh Kumar - *Director*
P. E. Krishnan - *Director*
S. Gopalakrishnan - *Director*

REGISTERED OFFICE
FACTORY AND WORKSTATION

#S-5, off 3rd Cross, I Stage,
Peenya Industrial Area,
Bangalore - 560 058
Tel: 91 - 80 - 28370282/4
Fax: 91 - 80 - 28372609
Web: www.cerebracomputers.com
Email: info@cerebracomputers.com

STATUTORY AUDITORS

M.S.Reddy & Associates
Chartered Accountants
#726, II Floor, 3rd Main, 3rd Cross, "D" Block,
II Stage, Rajajinagar, Bangalore - 560 010.
Tel. 91 - 80 - 23422430

REGISTRARS & SHARE TRANSFER AGENTS

Karvy Computershare Pvt Limited,
T K N Complex, #51/2, Vanivilas Road,
Opp. National College, Basavanagudi,
Bangalore - 560 004
Tel.91 - 80 - 26621184 / 26621192/93
Fax.91 - 80 - 26621169

BANKERS

Canara Bank
State Bank of India

ENLISTMENTS

Bangalore Stock Exchange Limited
The Stock Exchange of Mumbai (BSE)
The Stock Exchange of Ahmedabad
Calcutta Stock Exchange Association Limited

DEPOSITORIES

National Securities Depository Limited
Central Depository Services Limited

For CEREBRA INTEGRATED TECHNOLOGIES LTD.

DIRECTOR

Dear Stakeholder,

It is again that time of the year when we all have the pleasure of meeting each other and believe me, it is really a pleasure again to see you all. It is our privilege in welcoming quite a lot of new shareholders into our family and it will not at all be an exaggeration to say that our new investors have infused fresh life into the Company and made it possible for us to stand here and talk to you all.

The tough times have passed and we have all realized that nothing is permanent though it took a while for us to see the light at the end of the tunnel. A tunnel which was very long and very dark but all of a sudden with the grace of the almighty we are almost at the end of the tunnel and the future is looking bright and sunny.

We have increased our capital and have managed to attract some investments into the company. We will soon be clearing all our debts to our bankers, vendors and all other dues of the company statutory, salaries etc., and very soon your company will be a debt free Company. We will soon be out of BIFR as well.

We are planning to close this financial year in six months time i.e. we will revert back to our old accounting year of April to March from the next year i.e. from April 08.

On the business front, we have bagged a couple of fairly large and good orders, which will sustain the EMS business and also grow it during the next 18 months. We will also have a BPO/KPO division which with all your support should grow and come to some level wherein we can all proudly say that Cerebra is now a recognized player in the BPO industry.

Your Company's hardware business will also be revived and we hope to reach our earlier levels very soon and also come out with innovative products as earlier.

You all will very soon see a changed Company with lot of life, enthusiasm and a very tough Company since the difficult days have made us a tougher and wiser lot.

Over the years it has always been a pleasure to have you all here and I wish to thank you all on behalf of the management and also wish to extend my grateful thanks to all those you have played a role in supporting the Company during its times of need.

Place : Bangalore
Date : 30.11.2007

V. RANGANATHAN
Managing Director

For CEREBRA INTEGRATED TECHNOLOGIES LTD.

DIRECTOR

CEREBRA INTEGRATED TECHNOLOGIES LIMITED

Regd Off. #S-5, off 3rd Cross, I Stage, Peenya Industrial Area, Bangalore - 560 058

NOTICE

NOTICE is hereby given that the Thirteenth Annual General Meeting of the Company will be held at 10.00 a.m. on Thursday, the 27th day of December 2007 at the Registered Office of the Company to transact the following business:

ORDINARY BUSINESS:

1. To receive, consider and adopt the audited Balance Sheet as at September 30, 2007 and the Profit and Loss Account for the year ended on that date along with the Reports of Directors and Auditors thereon.
2. To appoint a Director in place of Mr. S. Gopalakrishnan, who retires by rotation, and being eligible, offers himself for re-appointment.
3. To appoint a Director in place of Mr. Gururaj K. Upadhya, who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint Messrs. M.S. Reddy & Associates, Chartered Accountants, Bangalore who retire at the end of the ensuing Annual General Meeting and being eligible, offer themselves for appointment and to authorise the Board of Directors of the Company to fix their remuneration

By Order of the Board

Place : Bangalore
Date : 30th November 2007

V. RANGANATHAN
MANAGING DIRECTOR

NOTES:

1. A Member entitled to attend and vote at the meeting is entitled to appoint a proxy to vote instead of himself/ herself and the proxy appointed need not be a member. The duly filled in proxy form must be deposited at the Registered Office of the Company not less than 48 hours before the time fixed for the meeting.
2. Members/proxies should bring in the duly filled in attendance slips sent herewith for attending the meeting.
3. The Register of Members and the share transfer books of the Company will remain closed on 27.12.2007
4. Members are requested to notify their change in address to the Registrars and Transfer Agents by quoting their relevant registered Folio Number.
5. Members are requested to carry the Annual Report circulated to them. As a measure of economy, no copies of the Annual Report will be made available to the Members at the Meeting.

For CEREBRA INTEGRATED TECHNOLOGIES LTD.

DIRECTOR

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION AT THE ANNUAL GENERAL MEETING:

1. Mr. S. Gopalakrishnan:

Date of Birth:08.09.1967
Qualification: B.Com
Expertise: Finance and Accounts
No. of Board Meetings attended during the year - 5

2. Mr. Gururaj K. Upadhya:

Date of Birth: 15.6.1964
Qualification: Bachelor of Engineering
Expertise: Electronic Manufacturing Services
No. of Board Meetings attended during the year - 6

For CEREBRA INTEGRATED TECHNOLOGIES LTD.

DIRECTOR

CEREBRA INTEGRATED TECHNOLOGIES LIMITED

Regd Off. #S-5, off 3rd Cross, I Stage, Peenya Industrial Area, Bangalore - 560 058

DIRECTORS' REPORT

Your Directors present their Thirteenth Annual Report together with the audited Balance Sheet and Profit and Loss Account for the year ended September 30, 2007.

FINANCIAL RESULTS:

(Rs. in lakhs)

Particulars	2006-07	2005-06
Total Income	369.05	16.57
Total Expenditure	277.14	47.49
Operating Profits (PBIDT)	91.92	-30.92
Interest	26.58	96.57
Depreciation	15.61	19.80
Profit / (-)Loss Before Tax (PBT)	49.73	-147.28
Provision for Tax – Current	0.20	0.21
Profit after Current Tax but before Deferred Tax	49.53	-147.49
Profit available for appropriations/(Loss)	49.53	-147.49

REVIEW OF OPERATIONS:

After a period of 3 years, your Board is pleased to report that the efforts infused in all directions to revive the Company have initiated to yield results. The Company during the year executed a few orders in the hardware i.e., trading of computer systems and is concentrating on restarting its manufacturing activity in the coming year. The Company has entered into contracts with a some companies on EMS & job work for its EMS Division. Your Company is exploring the opportunities to start a BPO unit in the coming months for its IT/ITeS division. The Company has earned some profits through sale of software products. The Company continues to remain under BIFR and your Board is working on being out of this by March 2008.

With lot of efforts, few investors who were convinced of the revival of the Company came forward to support and supplement the efforts of the Management. The One Time Settlement with the Banks will be settled shortly once the BIFR approves the scheme.

DIVIDEND:

Your Directors regret to inform you that no dividend is declared for the year-ended 30.9.2007 in view of the company requiring its profits for working capital and revival of all its units to its full capacity.

DIRECTORS:

Mr. S. Gopalakrishnan and Mr. Gururaj K. Upadhya, Directors, retire by rotation. In accordance with the Companies Act, 1956 and Articles of Association of the Company and being eligible, offer themselves for re-appointment.

FIXED DEPOSITS:

Your Company has neither accepted nor renewed any Fixed Deposits during the year ended September 30, 2007

AUDITORS:

Messers M S Reddy & Associates, Chartered Accountants, Bangalore, Auditors of the Company retire at the end of forthcoming Annual General Meeting and are eligible for appointment.

Auditors observations: Regarding comments of the Auditor in their report dated 30.11.2007 the explanations of the directors are as follows:

a. The management is not provided for the interest on bank loans since OTS with the banks is in force and the Company is hopeful of the settling the same with the banks.

b. The Management is hopeful of recovering the amount from debtors and hence to provision was made.

For CEREBRA INTEGRATED TECHNOLOGIES LTD.

DIRECTOR

c & d. The directors draw attention to Notes to Accounts No. 8 and the mangement is in the process of obtaining confirmations.

PARTICULARS OF EMPLOYEES:

There was no employee drawing remuneration in excess of the limits prescribed under Section 217(2A) of the Companies Act, 1956 read with Companies (Particulars of employees) Rules, 1975.

COMPLIANCE OF STOCK EXCHANGE FORMALITIES:

Your Company has fully complied with the Listing formalities of all Stock Exchanges where the Company's shares are listed. Your Directors have taken necessary action in connection with the Guidelines/Regulations issued by Securities and Exchange Board of India (SEBI) on Insider Trading.

ACCOUNTING STANDARDS:

The Company has followed the mandatory Accounting Standards for preparation of Financial Statements for the year ended September 30, 2007.

CORPORATE GOVERNANCE:

A detailed report on Corporate Governance has been included separately in the Annual Report.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, FOREIGN EXCHANGE EARNINGS AND OUTGO

Information pursuant to Section 217(1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of particulars in the Report of the Board of Directors) Rules, 1988 is Nil.

FOREIGN EXCHANGE EARNINGS AND OUTGO:

Foreign Exchange Earnings: Rs. NIL

Foreign Exchange Outgo: Rs. NIL

DIRECTORS' RESPONSIBILITY STATEMENT:

As per Section 217(2AA) of the Companies (Amendment) Act, 2000 your Directors hereby confirm that

- In the preparation of these annual accounts, the applicable accounting policies and standards are followed, as issued by the Institute of Chartered Accountants of India (ICAI) and the requirements of the Companies Act, 1956, to the extent applicable. No material departures are noticed from the prescribed accounting standards;
- The accounting policies are consistently applied and reasonable, prudent judgment and estimates are made so as to give a true and fair view of the state of affairs of the Company as at the end of the year ended September 30, 2007 and of the "Profit/(Loss)" of the Company for that year;
- The accounts for the year-ended 30.9.2007 have been prepared on a system of historical cost, on a going concern and on accrual basis;
- Proper and sufficient care has been taken for maintenance of adequate accounting records in accordance with the provisions of the Act, for safeguarding the assets of the Company and for preventing and detecting fraud, errors and other irregularities;
- Financial Statements have been audited by Messrs. M S Reddy & Associates, Chartered Accountants, Bangalore being the Statutory Auditors of the Company.

ACKNOWLEDGEMENTS:

Your Directors thank the Shareholders/Investors for their response and confidence, Customers, Vendors, Bankers, Channel Partners, Software Technology Park of India, the various Central Government Departments and State Government Departments for their invaluable co-operation and support for your Company's survival.

For and on behalf of the Board

Place: Bangalore
Date: 30.11.2007

V Ranganathan
Managing Director

Gururaj K Upadhya
Director Technical

For CEREBRA INTEGRATED TECHNOLOGIES LTD.

DIRECTOR

REPORT ON CORPORATE GOVERNANCE (In terms of recommendations by SEBI)

As reported in the last Annual Report, your Company has implemented and complied with the Corporate Governance Code recommended by the Securities and Exchange Board of India (SEBI). Your Company shall always be managed with the principles of Good Corporate Governance with a view to enhance overall shareholder value and to run the business effectively to achieve its corporate objectives.

I. BOARD OF DIRECTORS

A. The Board of Directors of the Company has 2 Executive and 5 non-executive Directors out of which 3 are Non-Executive Independent Directors.

After due circulation of agenda and notes thereon, the Board of Directors have met at reasonable periods of intervals to transact business on various Board's functions, responsibilities and accountabilities. Compliances of various Laws and Regulations along with the Corporate Philosophy, goal, plans and strategies have been dwelt atlength by the Board at its various proceedings.

The details of the Directors' attendance at the meetings of the Board of your Company during the year ended 30.9.2007 are given below:

Sl. No.	Name	Designation	No. of Board Meeting held	No. of Board Meetings attended
		Executive Directors		
1.	V Ranganathan	Managing Director	6	6
2.	Gururaj K Upadhya	Director - Technical	6	6
		Non-Executive		
3.	Shridhar S Hegde	Director	6	6
4.	P Vishwamurthy	Director	6	6
		Non-Executive and Independent Directors		
5.	Suresh Kumar T S	Director	6	4
6.	P E Krishnan	Director	6	1
7.	S Gopalakrishnan	Director	6	5

The Board Meeting dates being 30.11.2006, 31.01.2007, 13.02.2007, 30.04.2007, 28.05.2007 and 31.07.2007
All other Directors attended the Twelfth Annual General Meeting. One Extraordinary General Meeting on 03.03.2007 was held during the year under report.

II. AUDIT COMMITTEE

The functions of Audit Committee are as follows:

- To oversee the Company's financial reporting process and disclosure of its financial information;
- To recommend the appointment of statutory auditors and fixation of the audit fee;
- To review and discuss with the auditors about internal control systems, the scope of audit including the observations of the Auditors, adequacy of the internal audit function, major accounting policies, practices and entries;
- Compliance with accounting standards;
- Compliance with the Stock Exchange and legal requirements concerning financial statement and related party transactions, if any;
- To review the company's financial and risk management policies;
- Discuss with the internal auditors any significant findings for follow-up thereon;
- To review the quarterly, half yearly and annual financial statement before submission to the Board of Directors.

For CEREBRA INTEGRATED TECHNOLOGIES LTD.

DIRECTOR

The committee also meets the management team and reviews the operations, new initiatives and performance of the business units. The minutes of the Audit Committee are circulated to the Board, discussed and taken note of.

The Audit Committee is comprised of the following Directors:

1. Mr. S. Gopalakrishnan – Chairman
2. Mr. TS Suresh Kumar – Member
3. Mr. P.E. Krishnan – Member

The details of attendance of the meetings of the Audit Committee for the year ended 30.9.2007 are as follows :

Sl No.	Name	No. of meeting held during the year	No. of meetings attended during the year
1.	S Gopalakrishnan	4	4
2.	T S Suresh Kumar	4	4
3.	P E Krishnan	4	4

The Audit Committee reviewed the financial results, accounting and financial controls as well as policies and practices as also internal control and internal audit systems.

III. REMUNERATION COMMITTEE

The functions of Remuneration Committee are as follows:

- To review, assess and recommend the appointment of executive and non-executive Director from time to time;
- Periodically review the remuneration package of the executive Directors and recommend suitable revision to the Board;
- To recommend compensation to the non-executive Directors in accordance with the provisions of the Companies Act, 1956;
- To consider and recommend Employee Stock Option Schemes from time to time and to administer and supervise the same.

Remuneration of employees largely consists of base remuneration, perquisites and performance incentives.

The Remuneration Committee consists of the following Directors:

1. Mr. S. Gopalakrishnan – Chairman
2. Mr. TS Suresh Kumar – Member
3. Mr. P.E. Krishnan – Member

There was no occasion for the Committee to meet during the year since there was no review of the remuneration payable to the Directors.

Details of Remuneration of all Directors:

(Amount in Rs.)

Sl. No.	Name	Designation	Salary	Sitting fee*
	Executive Directors			
1.	V Ranganathan	Managing Director	NIL	NIL
2.	Gururaj K Upadhya	Director – Technical	NIL	NIL
	Non-Executive			
3.	Shridhar S Hegde	Director	NIL	NIL
4.	P Vishwamurthy	Director	NIL	NIL
Non-Executive and Independent Directors				
5.	Suresh Kumar T S	Director	NIL	NIL
6.	P E Krishnan	Director	NIL	NIL
7.	S Gopalakrishnan	Director	NIL	NIL

Note: In view of the poor performance, no sitting fee was paid to the Directors.

For CEREBRA INTEGRATED TECHNOLOGIES LTD.

DIRECTOR

IV. INVESTORS' GRIEVANCES COMMITTEE:

The functions of Investors Grievances Committee are as follows:

- To look into the shareholders complaints, if any and to redress the same expeditiously.
- To approve the request for issue of duplicate share certificates and issue of certificates after split/consolidation.

The Investors Grievance Committee consists of the following:

1. Mr. S. Gopalakrishnan – Chairman
2. Mr. TS Suresh Kumar – Member
3. Mr. P.E. Krishnan – Member

The Sub-Committee duly appointed by the aforesaid Committee met continuously to address the various issues relating to the investors, including non-receipt of Annual Reports, Dividend related issues, Change of addresses, transfers of shares, dematerialization and other related aspects. The Company has also continuously requisitioned the services of an independent Practicing Company Secretary to review the procedures followed by the RTA. No major grievance of any investor was pending as on 30th September2006.

None of the Directors of the Company were members in more than 10 committees nor acted as Chairman of more than five committees across all companies in which they were Directors. During 2005-2006, no transactions of material nature had been entered into by the Company with the Management or their relatives that may have a potential conflict with interest of the Company.

V. MANAGEMENT

Clause 49 of the Listing Agreement with the Stock Exchanges states the following as regards the Management.

The Company agrees that as part of the Directors' Report or as an addition there to, a Management Discussion and Analysis report should form part of the annual report to the Shareholders. This Management Discussion & Analysis should include discussion on the following matters within the limits set by the Company's competitive position:

i Industry structure and developments

ii. Opportunities and Threats

iii. Segment wise or Product-wise performance

iv. Outlook

v. Risks and concerns

vi. Internal control systems and their adequacy

vii. Discussion on financial performance with respect to operational performance

viii. Material developments on the Human Resources/ Industrial Relations front, including number of people employed

A 'Management Discussion and Analysis of Results of Operations and Financial Condition' report is included hereunder.

The report contains all the information specified above.

The Company has a policy under which all the Directors of the Company are required to disclose all material financial and commercial transactions where they have a personal interest to the Board. All the related party transactions are disclosed as Note 13 under Notes to Accounts.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT FOR THE YEAR ENDED 30TH SEPTEMBER 2007:

The Management of Cerebra Integrated Technologies Limited presents the Analysis of Division wise performance of the Company for the year ended 30th September 07 and its outlook for the future. The outlook is based on assessment of the current business environment and may vary due to future economic and other developments both in India and abroad. The management would like to inform that we have increased our capital and all the problems have been solved. We have got in investments from strategic investors and the money is already deposited. The Banks OTS will be settled as we are writing this.

For CEREBRA INTEGRATED TECHNOLOGIES LTD.

DIR

Cerebra- System Integration Division (S.I.D)

System Integration Division is located at the registered office of the Company and manufactures PCs, Servers, Laptops, etc., and trades in all kinds of I.T products and peripherals. This division recorded a Gross Sales of Rs. 213.08 lacs in the year 2006-07 when compared to the gross sales of Rs.134.20 lacs during the Financial year 2005-06. This division is only trading in MNC branded desktops, laptops and is focusing on Channel sales. The management plans to start manufacturing activity by January 2008.

Cerebra- Electronic Manufacturing Services (E.M.S Division)

EMS Division is located at the registered office of the Company. This division has shown significant development and recorded Rs. 22.55 lacs as Sales in the year 2006-07. EMS division is currently executing job work contracts for companies in the Telecom, Energy Meter and RF area. The division is also on the verge of tie up with large product companies for being their EMS partner. The division has also started developing prototypes for products in the RFID area. The production of these RFID products is purely for exports.

Cerebra-IT /ITeS Division

The IT / ITeS Division is located at the registered office of the Company. The IT division has sold some of its existing products and recorded Rs. 133 lacs as sales for the financial year 2006-07. The ITeS division is building up a team for setting up a BPO unit and are also on the look out for acquisitions in the BPO/KPO area.

The certificate obtained from the statutory Auditors Messers M.S. Reddy & Associates, Chartered Accountants dated 30.11.2007 is annexed herewith.

COMPLIANCE OFFICER AND ADDRESS FOR CORRESPONDENCE:

Mr. Shridhar Hegde continues to be the Compliance Officer of the Company. Address of the Registered office of the Company shall be the address for correspondence.

1. Details of Annual General Meeting (AGM):

Year	Location	Date	Time
2003-2004	Registered Office of the Company	21.12.2004	10 AM
2004-2005	Registered Office of the Company	31.12.2005	10 AM
2005-2006	Registered Office of the Company	30.12.2006	10 AM

Means of Communication:

Quarterly results are forwarded to the Stock Exchanges and are made available to the investors.

GENERAL SHAREHOLDERS' INFORMATION:

The following information would be useful to the shareholders:

1. Annual General Meeting Date and Time: 27th December 2007 at 10 AM
2. Financial Calendar: 1.10.2006 to 30.9.2007
3. Book Closure Date: 27.12.2007
4. Listing on Stock Exchange at:
   a) Bangalore Stock Exchange Limited
   b) The Stock Exchange of Mumbai (BSE) Bombay Stock Exchange (BSE)
   c) The Stock Exchange of Ahmedabad
   d) Calcutta Stock Exchange Association Ltd.
5. Depositories
   National Securities Depository Limited
   Central Depository Services Limited

For CEREBRA INTEGRATED TECHNOLOGIES LTD.

DIRECTOR

Stock Code:

BgSE – CEREBRA INT
BSE – 532413
ASE – 11235
CSE – 13336

Demat arrangement with NSDL and CDSL: INE345B01019.

6. Registrars & Share Transfer Agents:

Karvy Computershare Private Limited,
T K N Complex, #51/2, Vanivilas Road,
Opp. National College, Basavanagudi,
Bangalore - 560 004,
Tel. 91 - 80 –26621192 Fax.91 - 80 - 26621169
Email: bangalore@karvy.com

7. Stock Market Data:

Month	BSE	
	High	Low
October 2006	6.33	3.19
November 2006	10.25	6.64
December 2007	9.19	6.82
January 2007	9.60	6.60
February 2007	16.45	8.40
March 2007	15.85	11.05
April 2007	15.74	12.32
May 2007	16.40	11.41
June 2007	14.69	12.26
July 2007	18.50	12.30
August 2007	15.75	9.85
September 2007	20.65	10.25

8. Share Transfer System:

The Company in consultation with the RTA ensures that the transfers of shares in physical form and dematerialization take place well within the time limits.

9. Distribution of Shareholding as at September 30,2007:

Category holders	No. of shareholders		Face value of shares held	
	Number	Percentage	Amount	Percentage
Upto 5000	5823	88.11	8835340.00	14.9846%
5001-10000	391	5.92	3278710.00	5.5606%
10001-20000	162	2.45	2560670.00	4.3428%
20001-30000	63	0.95	1595470.00	2.7059%
30001-40000	26	0.39	954750.00	1.6192%
40001-50000	23	0.35	1092340.00	1.8526%
50001-100000	49	0.74	3722640.00	6.3135%
>100000	72	1.09	36922610.00	62.6204%
Total		**100**		**100.00%**

For CEREBRA INTEGRATED TECHNOLOGIES LTD.

DIRECTOR

10. Categories of Shareholding as at September 30,2007:

Category	No. of shares held	% of holding
Promoters Holding:		
i. Indian Promoters	275853	4.68
ii. Foreign Promoters	0	0
Sub Total	**275853**	**4.68**
Non-Promoters Holding:		
i. Mutual Fund and UTI	0	0
ii. Banks, Financial Institutions and Insurance companies	0	0
iii. Bodies Corporate	1465152	24.85
iv. Indian Public	3890431	65.98
v. NRIs/OCBs	1650	0.03
vi. Others -		
HUF	0	0
Clearing Members	263067	4.46
Sub Total	**5620400**	**95.32**
Grand Total	**5896253**	**100**

11. Dematerialization of shares and liquidity as at 30-9-2007:

Particulars	No. Of Shares	Percentage to total
No. of shares in Physical Form	680575	11.54%
No. of shares in Electronic Form	5215678	88.46%
Total		**100**

12. Number of days taken for dematerialization: 15

13. Dematerialization request from 01-10-2006 to 30-09-2007:

No. of Requests : 87
No. of shares : 34600 (0.0058% of the Total Equity)

14. Postal Ballot:

No resolutions were passed during the year attracting Postal Ballot and no resolution attracting Postal Ballot is recommended at this meeting.

15. Report on Corporate Governance:

This report together with the information given in Directors Report constitutes a detailed compliance report on Corporate Governance during the current year.

For and on behalf of the Board

Place: Bangalore
Date: 30.11.2007

V Ranganathan
Managing Director

Gururaj K Upadhya
Director Technical

For CEREBRA INTEGRATED TECHNOLOGIES LTD.

DIRECTOR

AUDITORS' CERTIFICATE ON CORPORATE GOVERNANCE

We have examined the compliance of conditions of Corporate Governance by Cerebra Integrated Technologies Ltd., for year ended 30.9.2007 as stipulated in Clause 49 of the Listing Agreement of the said Company with the Stock Exchanges.

The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination has been limited to a review of procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of Corporate Governance as stipulated in the said clause. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us and the representations made to us by the Directors and the Management, we certify that the Company has complied with the conditions of Corporate Governance stipulated in Clause 49 of the above mentioned Listing Agreement subject to non-compliance with the means and details of communication.

We state that as per the records maintained by the Registrars and Transfer Agents of the Company and presented to the Shareholders/Investor Grievance Committee, no investor grievances received during the year ended 30.9.2007, were remaining unattended/pending against the Company for a year exceeding thirty days.

We further state that such compliance is neither an assurance as to future viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company.

FOR **M. S. REDDY & ASSOCIATES**
Chartered Accountants

M.SRIDHAR REDDY
Partner
Membership Number: 201103

PLACE: BANGALORE
DATE: 30.11.2007

For CEREBRA INTEGRATED TECHNOLOGIES LTD.

DIRECTOR

CERTIFICATION BY CEO (MANAGING DIRECTOR)

I, V.Ranganathan, Managing Director of Cerebra Integrated Technologies Limited, certify that:

1. We have reviewed the financial statements for the year and that to the best of our knowledge and belief
   a. These statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
   b. These statements give a true and fair view of the state of affairs of the Company and the results of operations and cash flows. These statements have been prepared in conformity, in all material respects, with the existing generally accepted accounting principles including accounting standards, applicable laws and regulations.
2. There are, to the best of our knowledge and belief, no transactions entered in to by
   a. The Company during the year, which are fraudulent, illegal and violative of the Company's code of conduct.
3. We accept overall responsibility for the Company's internal control system for financial reporting. The auditors and audit committee are appraised of any corrective action taken with regard to significant deficiencies and material weakness.
4. We indicate to the auditors and audit committee:
   a. Any significant changes in internal control over financial reporting during the year;
   b. Significant changes in accounting policies during the year;
   c. Instances of significant fraud of which have become aware of and which involve management or other employees who have significant role in the Company's internal control system over financial reporting.

However, during the year there were no such instances.

PLACE: BANGALORE
DATE: November 30, 2007

V. RANGANATHAN
Managing Director

For CEREBRA INTEGRATED TECHNOLOGIES LTD.

DIRECTOR

AUDITORS' REPORT

To,

The Members of, CEREBRA INTEGRATED TECHNOLOGIES LIMITED, BANGALORE.

1. We have audited the attached balance sheet of CEREBRA INTEGRATED TECHNOLOGIES LIMITED as at 30th September 2007 and Profit and Loss Account for the year ended on the date, annexed thereto. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. As required by the companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of sub-section (4A) of section 227 of the companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said order.

4. Further to our comments in the Annexure referred to above, we report that :

   (i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;

   (ii) In our opinion, proper books of account as required by law have been kept by the company so for as appears from our examination of those books.

   (iii) The balance sheet , profit and loss account and cash flow statement dealt with by this report are in agreement with the books of account;

   (iv) In our opinion, the balance sheet, profit and loss account and cash flow statement dealt with by this report comply with the accounting standards referred to in sub-section (3C) of section 211 of the companies Act, 1956;

   (v) On the basis of written representations received from the directors, as on 30th September 2007 and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 30th September 2007 from being appointed as a director in terms of clause (g) of sub section (1) of section 274 of companies Act, 1956;

   (vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India;

   (a) in the case of the balance sheet, of the state of affairs of the company as at 30th September 2007;

   (b) in the case of the profit and loss account ,of the profit for the year ended on that date; and

   (c) in the case of the cash flow statement, of the cash flows for the year ended on that date subject to:

   a) *Interest on bank loans amounting to Rs. 72.61 lacs was not provided.*

   b) In our opinion, the debtors amounting to Rs. 92.93 lacs are doubtful for which no provision was made.

   c) Some of the bank balances are pending confirmation and reconciliation.

   d) Sundry Debtors, Creditors, deposits and advances are subject to confirmation and reconciliation.

for **M.S.REDDY & ASSOCIATES**
Chartered Accountants

M.SRIDHAR REDDY
Partner.
Membership Number 201103

For CEREBRA INTEGRATED TECHNOLOGIES LTD.

DIRECTOR

Date: 30.11.2007
Place: Bangalore.

ANNEXURE TO AUDITORS' REPORT

Referred to in paragraph 3 of our report of even date, to the members of Cerebra Integrated Technologies Limited, Bangalore on the accounts for the year ended 30 September 2007.

(i) (a) The company has not maintained proper records showing particulars including quantitative details and situation of fixed assets.
According to the information and explanations given to us, the programme of verification of fixed assets, which in our opinion, is to be increased having regard to the size of the company and the nature of its assets.

(b) During the period under audit, the company has not disposed off substantial portion of the fixed assets

(ii) (a) In our opinion, and according to information and explanations given to us, the frequency of physical verification of inventory by the management is to be increased.

(b) In our opinion and according to information and explanations given to us, the procedures of physical verification of inventories followed by the management are not adequate in relation to the size of the company and the nature of its business as regards to maintenance of records of physical verification and identification of damaged and obsolete items of inventories properly.

(c) In our opinion and according to information and explanations given to us, the inventory records are not properly updated and as reported by the management no material discrepancies were noticed during physical verification.

(iii) (a) According to information and explanations given to us, the company has taken advances from four parties listed in the register maintained u/s 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs. 11.30 lacs and the year end balance of advances received from such parties was Rs. 11.30 lacs.

(b) According to information and explanations given to us, the company has granted unsecured loan to one company listed in the register maintained u/s 301 of the Companies Act, 1956. The maximum amount involved during the year was Rs.110.26 lacs and the year end balance of loan granted to such party was Rs.110.26 lacs.

(c) According to information and explanations given to us, no interest paid/payable in respect of advances received from the parties listed in the register maintained u/s 301 of the Companies Act, 1956. No interest was charged in respect of unsecured loan given by the Company and the borrower Company was declared as a Sick Company.

(d) The payment of principal and interest in respect of unsecured loan given are not regular.

(e) During the year, the Company has provided for bad debts amounting to Rs. 29.65 lacs in respect of loan given to the Company listed in the register maintained u/s 301 of the Companies Act, 1956.

(iv) In our opinion and according to the information and explanations given to us, the internal control procedures are to be strengthened commensurate with the size of the Company and the nature of its business for the purpose of inventory and fixed assets and for sale of goods. According to information and explanations given to us, there is no continuing failure to correct major weaknesses in the system.

(v) (a) According to the information and explanations given to us, during the year under audit, the transactions that need to be entered in to a registers pursuance of section 301 of the Companies act, 1956 have been so entered.

For CEREBRA INTEGRATED TECHNOLOGIES LTD.

DIRECTOR

(b) In our opinion and according to the information and explanations given to us, no transactions were made in pursuance of contracts or arrangements entered in the register maintained under section 301 of the Companies Act 1956 and exceeding the value of rupees five Lakhs in respect of any party during the year.

(vi) In our opinion and according to the information and explanations given to us, the Company has not accepted deposits from public.

(vii) In our opinion and according to the information and explanations given to us, the internal audit system is to strengthened commensurate with the size of the Company and the nature of its business.

(viii) According to the information and explanations given to us, the central government has not prescribed maintenance of cost records under section 209(1)(d) of the companies act,1956 for the Company.

(ix) (a) The Company is not regular in depositing with appropriate authorities undisputed statutory dues including provident fund, employees' state insurance, income tax, sales tax, excise duty applicable to it. The arrears of outstanding statutory dues as at 30.9.07 for a period more than six months from the date they became payable are given below:

Income Tax Payable	629,588/-
Sales Tax Payable	184,899/-
Fringe Benefit Tax Payable	9,210/-
Excise Duty	2,809,259/-

(x) According to the information and explanation given to us, the sales tax dues amounting to Rs.924,282/- have not been deposited on account of appeal pending at Karnataka State Tribunal and Income Tax demand of Rs.1,241,080/- on account of rectification with the assessing officer.

(xi) The accumulated losses of the Company are more than fifty percent of its net worth and the Company has incurred cash losses in the immediately preceding accounting year. During the year, the Company was declared as Sick Industrial Undertaking by the Board for Industrial and Financial Reconstruction (BIFR) under the provisions of the Sick Industrial Companies (Special Provisions) Act, 1985 (SICA).

(xii) In our opinion and according to the information and explanations given to us, the Company has defaulted in repayment of dues to banks. The details are given below:

Name of the bank	Period From	Amount of default Rs. Lacs
State Bank Of India	1.4.2003	359.22
Canara Bank	1.4.2003	447.70
The Interest outstanding as on 30.09.2007		393.91

The Company has not provided for interest on bank loans from 01.01.2007

(xiii) According to the information and explanations given to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

(xiv) In our opinion, the Company is not a chit fund or a *nidhi*/mutual benefit fund/society. Therefore the provisions of clause 4 (xiii) of the companies (Auditor's Report) Order, 2003 are not applicable to the Company.

(xv) In our opinion and according to the information and explanations given to us, there were no transactions and contracts in respect of dealing or trading in shares, securities and other investments. Investments have been held by Company in its own name.

For CEREBRA INTEGRATED TECHNOLOGIES LTD.

DIRECTOR

(xvi) According to the information and explanations given to us, the Company has not given guarantee for loans taken by others from banks or financial institutions.

(xvii) According to the information and explanations given to us, the Company has not drawn term loans during the period under the audit.

(xviii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, during the year under audit, we report that the no funds raised on short term basis have been used for long term investment. No long term funds have been used to finance short term assets.

(xix) According to the information and explanations given to us, the Company has made preferential allotment of shares to one party covered in the register maintained under section 301 of the Companies Act, 1956. In our opinion, the price at which shares have been issued is not prejudicial to the interest of the Company.

(xx) According to the information and explanations given to us, during the period covered by our audit report, the Company had not issued any debentures.

(xxi) During the period under audit, the Company has not raised money by public issue.

(xxii) According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.

For M.S.Reddy & Associates
Chartered Accountants

Date: 30.11.2007
Place: Bangalore.

M.SRIDHAR REDDY
Partner.
Membership Number 201103

For CEREBRA INTEGRATED TECHNOLOGIES LTD.

DIRECTOR

BALANCE SHEET AS AT 30.09.2007

PARTICULARS	SCHEDULE No.	30.09.2007 Rs.	30.09.2006 Rs.
SOURCES OF FUNDS			
Share Holder's Funds			
Share Capital	1	72,616,900	59,064,030
Share Application Money		2,000,000	-
Reserves & Surplus	2	178,220,912	178,220,912
Loans Funds			
Secured Loans	3	80,691,166	80,691,166
GRAND TOTAL		333,528,978	317,976,108
APPLICATION OF FUNDS			
Fixed Assets	4		
Gross Block		40,692,917	39,710,366
Less Depreciation		23,390,917	21,829,446
Net Block		17,302,001	17,880,921
Investments at Cost	5	2,000	2,000
Current Assets Loans & Advances			
Inventories	6	289,056	289,056
Sundry Debtors	7	58,763,719	40,924,080
Cash and Bank Balance	8	1,431,572	1,149,529
Loans and Advances	9	19,586,892	10,892,536
		80,071,240	53,255,202
Less:Current Liabilities & Provisions			
Current Liabilities	10	152,303,666	146,571,045
Provisions	11	19,708	20,883
		152,323,374	146,591,928
Net Current Assets		(72,252,134)	(93,336,727)
Profit & Loss Account	12	388,477,111	393,429,914
	GRAND TOTAL	**333,528,978**	**317,976,108**

Significant Accounting Policies & Notes to Accounts 20
The Schedules referred to above form an integral part of the Balance Sheet

As per our Audit Report of Even Date
for M.S.REDDY & ASSOCIATES
Chartered Accountants

for and on behalf of the Board of Directors

M. Sridhar Reddy
Partner

V. Ranganathan
Managing Director

Gururaja K Upadhya
Director Technical

PLACE : BANGALORE
DATE : 30.11.2007

For CEREBRA INTEGRATED TECHNOLOGIES LTD.

DIRECTOR

SCHEDULE TO BALANCE SHEET AS AT 30TH SEPTEMBER 2007

SCHEDULE 4

FIXED ASSETS

Sl. No.	TYPE OF ASSETS		GROSS BLOCK			DEPRECIATION RESERVE					NET BLOCK	
		Rate of Dep %	As at 1.10.06	Additions	Deletions/ Adjustments	30.9.07	As at 1.4.06	Period ended 30.09.07	Delitions/ Adjustments	As on 30.09.07	As on 30.09.07	As at 30.09.06
1.	Energy Saving Equipments	4.75	1261958	0	0	1261958	900651	59943	0	960594	301364	361307
2.	Plant & Machinery	4.75	21176676	0	0	21176676	8657151	1005892	0	9663043	11513633	12519525
3.	Computer/Printers/Software	16.21	8184413	0	0	8184413	8184413	0	0	8184414	0	0
4.	Vehicles											
	a. Motor Cars/Vans	9.50	1696108	0	0	1696108	946933	161130	0	1108063	588045	749175
	b. Motor Cycles/Scooters	9.50	61509	0	0	61509	57695	3814	0	61509	0	3814
5.	Office Equipments	4.75	560986	0	0	560986	362334	26647	0	388981	172005	198652
6.	Furniture & Fixtures	6.33	2452487	63288	0	2515775	1726831	156592	0	1883423	632352	725657
7.	Land	0.00	200900	0	0	200900	0	0	0	0	200900	200900
8.	Factory Building	3.34	3840776	797411	0	4638187	874716	137257	0	1011973	3626214	2966060
9.	Electrical Installations	3.34	274553	121852	0	396405	118723	10196	0	128919	267486	155830
	TOTAL		**39710365**	**982551**	**0**	**40692917**	**21829446**	**1561472**	**0**	**23390919**	**17301999**	**17880922**

For CEREBRA INTEGRATED TECHNOLOGIES LTD

DIRECTOR

	As at 30.09.2007 Rs.	As at 30.09.2006 Rs.
Schedule 5		
INVESTMENTS		
Investment in 200 Equity shares of Sankya Infotech Ltd of Rs. 10/ each fully paid	2,000	2,000
Total Market Value of investments Rs.Nil (Previous Year Rs.2,000)		
Total	**2,000**	**2,000**
Schedule 6		
INVENTORIES		
Raw Material & Components	289,056	289,056
Total	**289,056**	**289,056**
Schedule 7		
SUNDRY DEBTORS		
Unsecured and Considered good		
Sundry Debtors		
Over six months	53,617,861	40,305,861
Others	5,145,859	618,219
Total	**58,763,719**	**40,924,080**
Schedule 8		
CASH AND BANK BALANCES		
Cash and Cheques on Hand	255,463	9,972
Balances with Scheduled Banks		
In Current Accounts	101,726	65,174
In Deposit Accounts	1,074,383	1,074,383
Total	1,431,572	1,149,529
Schedule 9		
LOANS AND ADVANCES		
Unsecured and Considered good		
Advances recoverable in Cash or Kind for the value to be received	19,381,982	10,687,626
Other advances	24,115	24,115
Deposits	180795	180,795
Total	19,586,892	10,892,536
Schedule 10		
CURRENT LIABILITIES		
Sundry Creditors	55,334,503	52,424,267
Other Liabilities	96,969,163	94,146,779
Total	152,303,666	14,6571,045
Schedule 11		
PROVISIONS		
Provision for Fringe Benefit Tax	19,708	20,883
Total	19708	20,883

For CEREBRA INTEGRATED TECHNOLOGIES LTD.

DIRECTOR

SCHEDULE TO BALANCE SHEET AS AT 30TH SEPTEMBER, 2007

SCHEDULE - 1	30.09.2007 Rs.	30.09.2006 Rs.
SHARE CAPITAL		
Authorised Capital		
100,00,000 Equity Shares of Rs 10/-each	100,000,000	100,000,000
Issued & Subscribed & Paid Up		
58,96,253 equity shares of Rs. 10/ each	72,515,400	58,962,530
of the above Shares:		
I 140000(1998:140000)Equity Shares of Rs 10 each,have been alloted as fully Paid bonus Shares by capitalisation of Profits of the previous years.		
II 16153(1998:16153)Equity Shares of Rs 10 each,have been alloted as fully paid-up,persuant to a contract without payment being received in cash.		
III 1177400 Equity Shares of Rs 10 each,have been alloted as fully paid bonus Shares by capitalisation of the Profits on 4-2-2000		
IV 1479300 equity shares of Rs.10 each, have been alloted on 8-5-2000 as fully paid up shares consequent to public issue Add Forfeited Shares (amount orginally paid on 20300 shares @ Rs. 5/- each)	101,500	101,500
V. 1355287 Equity Shares of Rs. 10/- each has been allotted on 03-04-2007 as fully paid up Shares consequent to Preferential Issue		
	72,616,900	59,064,030
Schedule 2		
RESERVES AND SURPLUS		
Capital Reserve	1,143,412	1,143,412
Share Premium Account	177,077,500	177,077,500
Total	**178,220,912**	**178,220,912**
Schedule 3		
SECURED LOAN		
Term Loan & Other Secured Loans (Note # 1)	3,929,710	3,929,710
Working Capital Finance (Note # 2)	76,761,456	76,761,456
Total	**80,691,166**	**80,691,166**

NOTES

1) Secured by Exclusive First charge on Plant and Machinery, Lien on Fixed Deposits and other assets procured under Term Loan from Canara Bank.

(2) Secured by Hypothecation of Inventories,Plant and Machinery,Furniture & Fixture and Other Fixed Assets present & future and charge on book debts, Land and Guaranteed by Managing Director and four other directors for credit limits availed from Canara Bank and State Bank of India.

For CEREBRA INTEGRATED TECHNOLOGIES LTD.

DIRECTOR

		30.09.2007 Rs.	30.09.2006 Rs.
SCHEDULE-12			
PROFIT & LOSS ACCOUNT			
Profit & Loss Account-Opening Balance(Dr.)		393,429,914	378,680,961
Add: Balance of Net Profit for the Year		(4,952,803)	14,748,953
	Total	**388,477,111**	**393,429,914**
SCHEDULE 13			
SALES AND SERVICES			
Hardware-Traded items		21,307,816	1,341,971
Software Development & Sales		13,312,000	0
Services & others		2,254,683	252,084
	Total	**36874499**	**1594055**
SCHEDULE 14			
INCREASE/(DECREASE IN STOCK)			
Opening stock		289,056	289,056
Closing stock		289,056	289,056
Increase/(Decrease) in stock		0	0
Schedule 15			
OTHER INCOME			
Interest Income		11,805	0
Miscellaneous Income		19,155	63,388
	Total	**30,960**	**63,388**
Schedule 16			
MATERIALS			
Purchases			
Trade Goods		21,779,575	1,106,352
	Total	**21,779,575**	**1,106,352**

For CEREBRA INTEGRATED TECHNOLOGIES LTD.

DIRECTOR

		As at 30.09.2007 Rs.	As at 30.09.2006 Rs.
Schedule 17			
MANUFACTURING & ADMIN EXPENSES			
Power and Fuel		182,454	31,822
Other Direct Expenses		73,583	4,940
Salaries, Wages and Bonus		754,334	87,719
Insurance		6,495	17,571
-Others		119,168	1,500
Rates & Taxes		15,490	1,200
Travelling Expenses		238,286	35,063
Printing & Stationery		17,762	6,325
Telephone Charges		66,543	23,484
Audit Fees		54,000	54,000
Bad Debts Written off		0	105,250
Provision for Customs Duty-EPCG		0	2,510,000
Others		735,274	331,170
Professional charges		610,096	198,550
Provision for Bad debts		2965,256	200,000
	Total	**5,838,741**	**3,608,594**
Schedule 18			
MARKETING EXPENSES			
Selling and Distribution Expenses		8,112	0
Advertisement		87,076	34,067
	Total	**95,188**	**34,067**
Schedule 19			
INTEREST AND FINANCE CHARGES			
Interest & Financial Charges		2,657,973	9,656,849
	Total	**2,657,973**	**9,656,849**

For CEREBRA INTEGRATED TECHNOLOGIES LTD.

DIRECTOR

Schedule 20 Significant Accounting Policies and Notes to Accounts

ACCOUNTING POLICIES

1. SYSTEM OF ACCOUNTING:

Accounts are prepared on accrual basis under historical cost convention as a going concern and comply with the mandatory Accounting Standards

2. DEPRECIATION:

a) Depreciation has been provided on assets on straight line method in accordance with the provisions of Schedule XIV of the Companies Act, 1956 except that:

b) In the case of assets costing less than Rs.5000/- normal rates of depreciation prescribed under Schedule XIV are adopted eventhough the Companies' Act allows for 100% depreciation on such small value items.

3. INVESTMENTS:

Investments are stated at acquisition cost and provision is made to recognize any decline other than temporary, in the value of investments.

4. FIXED ASSETS:

Fixed Assets are stated at cost including expenses related to their acquisition and installation allocable to respective assets.

In the case of assets acquired under Hire purchase, the cost of the asset is capitalised while annual financial charges at equated installments are charged off to Revenue.

5. RETIREMENT BENEFITS TO EMPLOYEES:

Gratuity and Leave encashment are accounted for as and when settled.

6. REVENUE RECOGNITION:

a. Sales include applicable excise duty but excludes Sales tax. Income from sales is recognised upon completion of sale . Warranty charges forming part of the sales are not recognised separately and expenditure incurred in this regard is accounted when incurred. Sales includes inter divisional transfer.

b. Income from software development services is recognised upon completion of milestones wherever payments are linked to such milestones. In cases where payment are based on completion of each man-hours, man-days, man-month of service rendered, revenue is recognised upon respective completion of the same.

7. INVENTORY:

Raw Materials and components are valued at cost. Work in progress are valued at cost including overheads. Appropriate provisions are made for anticipated losses if any. Finished goods and traded items are valued at cost or Net Realisable Value whichever is lower.

8. FOREIGN CURRENCY TRANSACTIONS:

Foreign currencies are normally recorded at the exchange rate prevailing on the date of transaction. Adjustments are made for any variations in the sale proceeds or import payments on conversion into Indian Currency upon actual receipt/payment. Exchange differences arising on foreign currency transactions are recognised as income or expense/ capitalised depending on the nature of transactions, in the year in which they arise.

9. ACCOUNTING FOR CLAIMS & CONTINGENCIES:

Claims raised on the company by Excise, Sales tax, Customs, Income tax and Local Authorities are accounted only when they actually become payable after recourse to all legal remedies available to the Company.

For CEREBRA INTEGRATED TECHNOLOGIES LTD.

DIRECTOR

NOTES TO ACCOUNTS

1. Estimated amount of Contracts remaining to be executed on Capital Account and not provided for Rs. Nil (Previous Year Rs. Nil)
2. Contingent Liabilities in respect of
   a) Counter Guarantees given to the bankers for guarantees issued Rs 71.03 lacs (Previous Year Rs. 71.03 lacs)
   b) Disputed demand for Sales tax matters Rs 9.83 lacs (Previous year Rs. 9.83 lacs)
   c) Disputed demand for Income Tax Matter Rs. 12.41 lacs (Previous year Rs. 12.41)
3. Auditor's Remuneration

for Statutory Audit	Rs. 54000/-	(Previous Year Rs.54000/-)
for Tax Audit	Nil	(Previous Year NIL)
for Certification	Nil	(Previous Year NIL)
for Reimbursement of expenses	Nil	(Previous year Nil)

4. Loans & Advances include Rs 110.26 /-(Previous Year Rs 80.61 1lacs)due from Kranion Technologies Pvt Ltd, a Company under the same management. Maximum amount outstanding at any time during the year Rs.110.26 lacs (Previous Year Rs. 80.61 lacs).
5. The Company has no outstanding dues to Small-Scale Industrial undertakings as at the year end Rs.Nil /- (Previous Year Rs. Nil)
6. Selling and Distribution expenses include Rs.Nil (previous year Rs. Nil) towards commission to Selling Agents. The Company did not have Sole Selling Agents.
7. Directors Remuneration : (Rs..in lakhs)

	1.10.2006 to 30.09.2007	**1.10.2005 to 30.09.2006**
Salary	Nil	Nil
Contribution to Provident Fund	Nil	Nil
	Nil	Nil

8. Balances of Sundry Debtors, Deposits Made, Advance given to parties, Sundry Creditors and advances received from parties are subject to confirmation.
9. During the year, 20 lacs warrants at Rs. 10/- each with paid up value of Re. 1/- convertible within a period of 18 months have been issued on preferential basis.
10. Previous Years figures have been regrouped and reclassified wherever necessary to conform to current year's presentation.

For CEREBRA INTEGRATED TECHNOLOGIES LTD.

DIRECTOR

13. ADDITIONAL INFORMATION PURSUANT TO THE PROVISIONS OF PART II OF SCHEDULE VI TO THE COMPANIES ACT, 1956

i). Particulars in respect of Licensed, Installed capacity etc.,

The Company is Primarily engaged in Manufacturing, Trading of Computer Systems, Software/Hardware. These activities do not require Industrial Licensing and accordingly information for licensed,installed and utilised capacity have not been given.

	2006-07		2005-06	
	Qty in Nos	Value in(Rs.Lacs)	Qty in Nos	.Value in(Rs.Lacs)
ii) Production (in Nos)	Nil	Nil	Nil	Nil
iii) Sales:				
A) Manufactured Items	Nil	Nil	Nil	Nil
B) Traded Items-Hardware	NA	213.08	NA	13.42
-Software	Nil	Nil	Nil	Nil
iv) Opening & Closing Stocks				
Opening Stock:				
a) Manufactured Items	NA	-	NA	-
b) Traded Items-(hardware& software)		2.03		2.03
Closing Stock				
a) Manufactured Items		Nil		Nil
b) Traded Items		2.03		2.03
v) Purchase of Trade Goods		217.80		11.06

vi. Value of Imports on CIF Basis

Raw Materials including custom duties and other charges Rs. Nil (Previous year Rs. Nil)

	2006-07		**2005-06**	
	Rs. In lacs		Rs. In lacs	
vii Raw Materials & Components:	Value	%	Value	%
Imported	0	0	0	0
Indigenous	0	0	0	0
	0	0	0	0

For CEREBRA INTEGRATED TECHNOLOGIES LTD.

DIRECTOR

viii The amount remitted in Non Resident Stake holders on account of Dividend to their N.R.E Account

Number of Non Resident Shareholders:-Nil (Previous year Nil)

Number of Shares held by them: NA (Previous Year NA)

Year to which payment of Dividend relates: NA

ix. Earnings in Foreign Exchange

Export Sales- Software Rs. 9.85 lacs(Previous Year Rs. Nil)

Export Sales- Hardware Rs. Nil (Previous Year Rs.Nil)

x. Expenditure in Foreign Currency:

Raw Materials Rs. Nil lacs (Previous Year Rs. Nil)

Foreign Travel Rs.Nil lacs (Previous Year Rs. Nil)

Others Rs.Nil lacs (Previous Year Rs.Nil)

12. SEGMENT WISE BUSINESS PERFORMANCE

(Rs in Lacs)

Particulars	Period Ended 30th September 2007 (12 months)	Previous Year Ended 30th September 2006 (12 months)
(a) Primary segment reporting by business segment:		
I. SEGMENT REVENUE		
a. Hardware	235.62	15.94
b. Software services	133.12	0
c. Securities	0.00	0.00
Total	368.74	15.94
Less :Inter segment revenue	0	0
Net Income from Operations & Sales	368.74	15.94
II. SEGMENT RESULTS		
Profit/(Loss) before tax and interest:		
a. Hardware	-55.66	-47.21
b. Software services	132.5	-2.96
c. Securities	0	0
Total	76.84	-50.17
Less: Interest and other finance charges	26.58	96.57
unallocable exp.net off unallocable income	0.54	0.54
Profit before tax	49.73	-147.28

For CEREBRA INTEGRATED TECHNOLOGIES LTD

DIRECTOR

III. SEGMENT ASSETS			
a. Hardware		416.15	286.29
b. Software services		530.57	399.41
c. Securities		16.42	16.42
	Total	963.14	702.12
IV. SEGMENT LIABILITIES			
a. Hardware		2012.08	1843.86
b. Software services		410.79	417.21
c. Securities		9.55	9.55
	Total	2432.84	2270.62
V. CAPITAL EXPENDITURE			
a. Hardware		9.83	0.00
b. Software services		0.00	0.00
c. Securities		0.00	0.00
	Total	9.83	0.00
V. DEPRECIATION			
a. Hardware		15.00	16.83
b. Software services		0.61	2.96
c. Securities		0	0
	Total	15.61	19.79
VII. AMORTISATION AND OTHER NON CASH EXPENDITURE			
a. Hardware		29.65	28.15
b. Software services		0	0
c. Securities		0	0
	Total	29.65	28.15
b) Secondary segment reporting by geographulical segment:			
i) Segment-wise revenue:			
Revenue from Customers Outside India		133.12	0
Revenue from Customers within India	235.62	15.94	
Total	368.74	15.94	
ii) Segment-wise Assets:			
India	963.14	702.12	
Outside India		0	0
		963.14	702.12

For CEREBRA INTEGRATED TECHNOLOGIES LTD

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13. Related Party Disclosure

The Company has the following transaction with related parties

(Rs in Lacs)

		2006-07		2005-06	
i.	Kranion Technologies Private Limited	Dr. Rs.	Cr. Rs.	Dr. Rs.	Cr. Rs.
	Receivables	110.26		80.61	
	Remuneration	-		-	
	Transfer of Funds	30.54	0	2.00	0
ii.	V. Ranganathan				
	Advance Received		148,917		0
	Balance payable		148,917		0
iii.	Shridhar S Hegde				
	Advance Received		0		0
	Balance payable		7,169		7,169
iv.	Gururaja K Upadhya				
	Advance Received		380,140		0
	Balance payable		416,236		36,096
v.	P. Vishwamurthy				
	Advance Received		321,411		0
	Balance payable		345,411		15000
vi	P. Bharath				
	Advance Received		277,993		0
	Balance payable		277,993		0

14. Deferred Tax

The company has not recognised deferred tax asset in view of prudence.

For CEREBRA INTEGRATED TECHNOLOGIES LTD.

DIRECTOR

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30Th SEPTEMBER 2007

PARTICULARS	30-09-2007	30-09-2006
A. Net profit/(loss) before taxes and extra-ordinary items	4,972,511	(14,728,070)
Adjustments for		
Depreciation	1,561,471	1,979,650
Interest expenditure(including interdivision finance charges)	2,657,973	9,656,849
Interest Income (Including interdivision Finance Charges)	(11,805)	-
Bad debts written off	-	105,250
Provision for Bad Debts	2,965,256	200,000
Operating profit/(loss) before working capital changes	9,180,150	(2,986,321)
B. Changes in current assets & current liabilities:		
Decrease/(Increase) in Inventories	-	-
Decrease/(Increase) in Sundry debtors	(17,839,640)	2,095,223
Decrease/(Increase) in Loans & Advances	(8,694,357)	666,221
Increase/(decrease) in Current Liabilities	5,711,738	7,356,850
Cash Inflow/(outflow) from operations	(11,642,107)	7,131,972
Interest paid (including interdivision finance charges)	(2,657,973)	(9,656,849)
Tax refund	-	-
Net cash Inflow/(Outflow) from operating activities	**(14,300,080)**	**(2,524,877)**
C. Cash Flows from Investing Activities:		
Interest Income(including interdivision finance charges)	11,805	0
Purchase of fixed assets including capital work in progress	(982,551)	-
	(970,746)	-
Net cash Inflow/(outflow) from Investing activities		-
D. Cash flows from Financing Activities:	15,552,870	-
Proceeds from Issue of Shares including share premium	-	695,514
Short term borrowings	-	-
Repayment of Long term Borrowings	-	-
Dividend paid (including Dividend Tax)	**15,552,870**	**695,514**
Net Cash Inflow/(outflow) from Financing Activities	282,044	(1,829,363)
Net Increase/(Decrease) in Cash & Cash Equivalents	1,149,529	2,978,892
Cash & Cash Equivalents as at beginning of the year	1,431,572	1,149,529
Cash & Cash Equivalents as at end of the year		

We have verified the above Cash Flow Statement of Cerebra Integrated Technologies Limited for the period ended September 30,2007 prepared by the company and certify that the statement has been derived from the accounts of the Company audited s been prepared in accordance with the Stock Exchange Listing requirements.

The Schedules referred to above form an integral part of the Balance Sheet
As per our Audit Report of Even Date

for M.S.REDDY & ASSOCIATES
CHARTERED ACCOUNTANTS

M.SRIDHAR REDDY
Partner

PLACE : BANGALORE
DATE : November 30, 2007

for and on behalf of the Board of Directors

V Ranganathan
Managing Director

Gururaja K Upadhya
Director Technical

For CEREBRA INTEGRATED TECHNOLOGIES LTD.

DIRECTOR

CEREBRA INTEGRATED TECHNOLOGIES LIMITED. BANGALORE.

15. Balance Sheet Abstract and General Business Profile

I. **Registration Details:**

Registration No: **08-15091** State Code: 08

Balance Sheet Date: 30.09.2007

II. **Capital Raised during the year [Amount In Rs. 000]**

Public Issue	Nil	Bonus issue	Nil
Right issue	Nil	Private Placement	Nil

III. **Position of Mobilisation and Deployment of Funds [Amount In Rs.'000']**

Total Liabilities	:	333529	Total Assets:	:	333529
Sources of Funds	:				
Paid – up Capital	:	72617	Secured Loans	:	80691
Reserves & Surplus	:	178221	Unsecured Loans	:	----
Application of Funds					
Net Fixed Assets	:	**17302**	**Investments**	:	**02**
Net Current Assets	:	-72252	Miscellaneous Expenditure:		00
Accumulated lossessss	:	388477			

IV. **Performance of the Company [Amount In Rs. 000]**

Turn over:	:	36874	Total Expenditure	:	31933
Other Income	:	31			
Profit before Tax	:	4973	Profit after Tax	:	4953
Earnings per Share[in Rs.]	:	0.68	Dividend Rate [%]	:	NIL

V. **Generic names of principal products:Item code No.[ITC Code]** 8471 & 8473

Product Description: Computer, Software, Pheripherals, Network and related products

For and on behalf of the Board

As per our Audit Report of Even Date,
For M.S.Reddy & Associates.,
Chartered Accountants

V Ranganathan	**Gururaj K Upadhya**	**M.Sridhar Reddy**
Managing Director	Director Technical	Partner

Place : Bangalore
Date : 30/11/2007

For CEREBRA INTEGRATED TECHNOLOGIES LTD.

DIRECTOR